IT 08-0002-GIL 01/09/2008 APPORTIONMENT – OTHER RULINGS

General Information Letter: Explanation of basic apportionment factor for mining companies.

January 9, 2008

Dear:

This is in response to your letter dated November 12, 2007, in which you request that we review portions of your annual publication, *NAME*. Please note that this letter will address only the Corporate Income Tax and Personal Property Replacement Tax sections. Your letter has been referred to both our Sales Tax and Property Tax Divisions for comments on those particular sections of your publication.

With respect to the Corporate Income Tax section, the following changes are recommended. The opening paragraph:

> The corporate income tax rate is 4.8%. Corporate income tax is levied on “Base Income” <u>allocable to Illinois. Base income</u> ~~which~~ equals federal taxable income with certain <u>addition and deduction</u> modifications. <u>Among the items</u> added to Federal taxable income are: any state, municipal, or other interest income excluded in arriving at Federal taxable income. <u>Deduction modifications</u> ~~Certain deductions are allowed~~, <u>include</u> ~~for~~ interest income from Treasury obligations. <u>Illinois also allows an Illinois Net Operating Loss deduction.</u>

The paragraph describing apportionment:

> Businesses with <u>business</u> income <u>from both inside and</u> outside of Illinois must <u>determine</u> ~~estimate~~ the portion of income attributable to Illinois sources by <u>using the sales factor apportionment formula. Generally, the sales factor is a fraction, the numerator of which is total sales in Illinois and the denominator of which is total sales everywhere.</u> ~~The following three factor formula. Illinois income equals the property factor + payroll factor + sales factor divided by four. The number four is reduced by the number of factors other than the sales factor that equal zero and increased by two if the total sales of the taxpayer everywhere is zero. The property, payroll, and sales factors are computed by dividing the income for each category derived within Illinois by the income from inside and outside Illinois. Effective for tax years ending on or after December 31, 2000, businesses with income outside of Illinois must use a sales factor apportionment formula to determine the amount of income attributable to Illinois.~~ <u>For taxable years ending before December 31, 2000, a three-factor formula was used.</u>

With respect to the Personal Property Replacement Tax section, the first paragraph may be changed to indicate that both individuals <u>and estates</u> are exempt from the Personal Property Tax Replacement Income Tax.

If you have any additional questions, feel free to contact this office at (217) 782-7054.

Sincerely,

Brian L. Stocker
Staff Attorney (Income Tax)